

Message Text

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ORIGIN EB-11

INFO OCT-01 EUR-25 EA-11 ISO-00 SSO-00 AEC-11 AID-20

CEA-02 CIAE-00 CIEP-03 COME-00 DODE-00 FPC-01 H-03

INR-11 INT-08 L-03 NSAE-00 NSC-07 OMB-01 PM-07 RSC-01

SAM-01 SCI-06 SP-03 SS-20 STR-08 TRSE-00 FRB-03 FEA-02

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FM SECSTATE WASHDC

TO AMEMBASSY OSLO IMMEDIATE

INFO AMEMBASSY PARIS

USMISSION OECD PARIS

AMEMBASSY STOCKHOLM

AMEMBASSY BONN

AMEMBASSY BRUSSELS

USMISSION EC BRUSSELS

AMEMBASSY DUBLIN

AMEMBASSY COPENHAGEN

AMEMBASSY LONDON

AMEMBASSY BERN

AMEMBASSY LUXEMBOURG

AMEMBASSY ROME

AMEMBASSY THE HAGUE

USMISSION USUN NEW YORK

AMEMBASSY OTTAWA

AMEMBASSY TOKYO

AMEMBASSY MADRID

AMEMBASSY VIENNA

AMEMBASSY CANBERRA

AMEMBASSY WELLINGTON

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E.O. 11652: GDS
TAGS: ENRG: NO
SUBJECT: NORWAY - IEP

REF: (A) OSLO 3763, (B) STATE 175375

1. NORWEGIAN EMBASSY OFFICIAL (OLBERG) CALLED AT DEPARTMENT AUGUST 19 TO DISCUSS IEP. FOLLOWING INSTRUCTIONS FROM OSLO, OLBERG ASKED FOR CLARIFICATION OF EARLIER DATA WE HAD PROVIDED GON ON ITS POTENTIAL ALLOCATION OBLIGATIONS UNDER SELECTIVE AND GENERAL TRIGGERS. HE ALSO ASKED FOR CLARIFICATION OF NORWAY'S OBLIGATIONS UNDER THE DEMAND RESTRAINT COMMITMENTS.

2. ON FIRST POINT, DEPARTMENT OFFICER EXPLAINED THAT MAXIMUM AMOUNT OF OIL WHICH NORWAY WOULD HAVE PRE-COMMITMENT TO ALLOCATE TO OTHER MEMBERS IN AN EMERGENCY WOULD BE 10 PERCENT OF ITS TOTAL CONSUMPTION. WITH CURRENT NORWEGIAN CONSUMPTION AT 180,000 BARRELS PER DAY, THIS WOULD MEAN A MAXIMUM ALLOCATION OBLIGATION OF 18,000 BARRELS PER DAY. THIS WOULD, OF COURSE, BE MOST SEVERE CASE NOW PROVIDED FOR UNDER IEP WITH GENERAL TRIGGER HAVING BEEN PULLED AS RESULT OF GROUP SHORTFALL OF MORE THAN 12 PERCENT OF TOTAL SUPPLIES. (NOTE: EARLIER FIGURES PROVIDED REF B WERE BASED ON MUCH HIGHER AND INCORRECT DATA ON NORWEGIAN CONSUMPTION.)

3. UNDER LESS SERIOUS CRISES, NORWAY WOULD GIVE UP CORRESPONDINGLY LESS. ONE EXAMPLE WE GAVE OLBERG WAS HYPOTHETICAL CASE OF EMBARGO DIRECTED AGAINST U.S. IN WHICH AFTER U.S. HAD ABSORBED ITS SELF RISK LOSS, THERE WAS A SHORTFALL OF 700,000 BARRELS/DAY TO BE SHARED AMONG OTHER MEMBERS ON BASIS OF CONSUMPTION. IN THIS INSTANCE, NORWAY WOULD GIVE UP ROUGHLY 6,000 BARRELS/DAY, OR ABOUT 3 PERCENT OF ITS CONSUMPTION.

4. WE EXPLAINED THAT NORWAY WOULD HAVE NO DEMAND RESTRAINT COMMITMENT UNDER SELECTIVE TRIGGER. COUNTRIES COULD
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RESTRAIN DEMAND OR USE EMERGENCY SUPPLIES AS THEY CHOOSE. UNDER GENERAL TRIGGER, ALL MEMBERS, INCLUDING NORWAY, WOULD BE EXPECTED TO HAVE PRE-POSITIONED DEMAND RESTRAINT PROGRAMS CAPABLE OF REDUCING DEMAND BY COMMON PERCENTAGE. (PRESENT DRAFT CALLS FOR TWO LEVELS OF DEMAND RESTRAINT OF 7 AND 10 PERCENT OF NORMAL CONSUMPTION.) HOWEVER, ANY COUNTRY WOULD HAVE OPTION OF NOT ACTUALLY INVOKING DEMAND RESTRAINT IN AN EMERGENCY IF IT WAS ABLE TO MEET ITS

ALLOCATION OBLIGATIONS OUT OF EMERGENCY SUPPLIES HELD IN EXCESS OF THOSE REQUIRED BY IEP. SINCE EMERGENCY SUPPLY COMMITMENT IS DEFINED IN TERMS OF A COUNTRY'S ABILITY TO MAINTAIN NORMAL CONSUMPTION WITH NO IMPORTS, NORWAY AS SELF SUFFICIENT COUNTRY HAS EMERGENCY SUPPLY COMMITMENT OF ZERO. NORWAY COULD, THEREFORE, HOLD VOLUNTARY STOCKS OR DEVELOP STANDBY PRODUCTION SUFFICIENT TO MEET ITS ALLOCATION OBLIGATIONS (UP TO 10 PERCENT OF CONSUMPTION) RATHER THAN GENERATING THIS OIL THROUGH RESTRAINT OF DEMAND. WE ALSO NOTED THAT NORWAY'S EXPORTS TO THIRD COUNTRIES WOULD NOT BE AFFECTED BY IEP.

5. OLBERG SAID HE DID NOT BELIEVE THAT GON HAD FULLY UNDERSTOOD THAT TO EXTENT TO WHICH NORWAY BUILT UP EXCESS EMERGENCY SUPPLIES (STOCKS OR STANDBY PRODUCTION), IT WOULD NOT ACTUALLY HAVE TO IMPLEMENT DEMAND RESTRAINT MEASURES. DEPARTMENT OFFICIAL NOTED THAT THIS DID NOT MEAN NORWAY DID NOT HAVE TO HAVE CAPABILITY TO RESTRAINT DEMAND. THIS IS FUNDAMENTAL COMMITMENT, AND CONCEIVABLY IN A PROTRACTED CRISIS NORWAY MIGHT ACTUALLY HAVE TO PUT THIS PROGRAM INTO OPERATION.

6. OLBERG EXPRESSED APPRECIATION FOR THIS CLARIFICATION OF NORWAY'S OBLIGATIONS UNDER IEP. HE SAID THAT ISSUE OF NORWEGIAN PARTICIPATION WOULD BE UNDER INTENSIVE GON REVIEW DURING FINAL HALF OF AUGUST. EMBASSY SHOULD DRAW ON POINTS AND DATA GIVEN PARAS 2-4 IN ITS DISCUSSIONS OF THIS SUBJECT WITH GON OFFICIALS. KISSINGER

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